

Understanding Home and Renters Insurance



With multiple types of home and renters insurance and varying degrees of coverage available, it can be a challenge to know what's right for you. However, carrying adequate insurance is one of the best ways to protect your assets. By paying for home or renters insurance now, you'll have the coverage you need if something happens in the future.

What is home insurance?

A home insurance policy provides protection for your home's physical structure and belongings in the event of damage caused by a disaster or loss of property from theft. Additionally, most home insurance policies also cover your own personal liability for harm caused to other people or property at your home or by members of your household. For instance, if a visitor to your home were to fall down your stairs, your home insurance policy may cover medical expenses.

However, home insurance policies don't cover earthquakes or floods — those are typically covered through separate policies or riders. Make sure your coverage is adequate for your current location and update accordingly when you PCS.



Did you know?

Most home insurance policies have an occupancy clause stating that your home can't be unoccupied for longer than a certain period of time. If you deploy and leave your home vacant, your policy could become void, so check requirements with your provider.

What is renters insurance?

If you rent or sublet, renters insurance protects your personal property within your home from damage caused by disaster or theft. Renters insurance policies also protect against personal liability claims, but exclude injuries caused by the structure of the home.



Did you know?

If you are a homeowner renting out your property, you can require your tenants carry a renters insurance policy to reduce your own liability should damages occur.

When do you need home or renters insurance?

If you are a homeowner, home insurance is a must. The asset of your home is too large and important not to insure properly. In fact, many mortgage companies require home insurance to safeguard their investment. Further, if you're a landlord who rents out property, maintaining and updating your home insurance is essential to protecting your assets.

Renters insurance is also required by many landlords, and it's a smart idea to have regardless. Your personal belongings — like furniture and electronics — would be expensive to replace in the event of a disaster, and renters insurance can help ease that burden. In fact, service members living on base in the dorms should also consider taking out a renters insurance policy to protect their belongings. Some insurance policies will even cover your belongings while in transit. This is a particularly big benefit to military families who frequently PCS, so make sure you talk to your insurance agent about this possibility.



How do you get home or renters insurance?

First, figure out what type of policy and how much coverage you need by assessing your assets. Take inventory of your home and property, making sure to keep your records in a safe place. You can even document your belongings with photos and videos to aid in any potential future claims. Check out these tips from FEMA to get started: https://www.fema.gov/media-library-data/1530828089051-74961f5a5be0fc0d39be68d9544f5f6c/P1097_DocumentAndInsureYourProperty_070318.pdf.

Once you determine how much insurance you need for your home or belongings, it's time to compare costs and policies. Most companies will provide free rate quotes (but don't worry: this type of "soft pull" inquiry doesn't affect your credit score), so make sure you carefully review the details in order to have a full understanding of what the potential policy covers. Look for a policy that provides the coverage you need at premium rates you can afford.

Common Home and Renters Insurance Terms

Actual cash value insurance policies cover the cost of your home and the value of your belongings after taking depreciation into account. For instance, rather than receiving the full price you paid for your television three years ago, you would receive what the television would be worth now if sold.

Replacement cost insurance policies cover the cost of replacing your home and belongings without considering depreciation, allowing you to rebuild and repurchase new.

Guaranteed replacement cost insurance is the most comprehensive and covers all repair, repurchase and rebuild costs, even if the total is higher than your policy limit. This is also often referred to as "extended" replacement cost and covers a certain percentage higher than your limit.

Additional living expense refers to a portion of your policy that would provide reimbursement for living expenses if you are unable to reside in your home for a period of time, such as hotel costs or meals.

Personal liability is your individual responsibility for injury or harm caused to another person or property through negligence.

Riders to your insurance policy allow for additional provisions, amendments or benefits to the terms of your original policy, such as covering expensive jewelry.



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For more financial planning resources, visit our website at <https://finred.usalearning.gov/>

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